

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

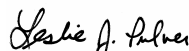
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

South Lyon Area Recreation Authority

Financial Report
with Supplemental Information
June 30, 2007

South Lyon Area Recreation Authority

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Independent Auditor's Report

To the Members of the Board
South Lyon Area Recreation Authority

We have audited the accompanying financial statements of the governmental activities and each major fund of the South Lyon Area Recreation Authority as of and for the year ended June 30, 2007, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the South Lyon Area Recreation Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Lyon Area Recreation Authority as of June 30, 2007 and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The required supplemental information, as identified in the table of contents, is not a required part of the financial statements but is supplemental information required by the Governmental Accounting Standards Board. The required supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The management's discussion and analysis identified in the table of contents is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

August 6, 2007



South Lyon Area Recreation Authority

Management's Discussion and Analysis

Our discussion and analysis of the South Lyon Area Recreation Authority's (the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the Authority's financial statements.

South Lyon Area Recreation Authority as a Whole

The following table shows, in condensed format, the net assets as of June 30, 2007 and 2006:

	June 30	
	2007	2006
Assets		
Current assets	\$ 85,308	\$ 94,570
Noncurrent assets	10,480	7,332
Total assets	95,788	101,902
Current Liabilities	85,424	101,235
Net Assets		
Invested in capital assets	10,480	7,332
Unrestricted assets (deficit)	(116)	(6,665)
Total net assets	<u>\$ 10,364</u>	<u>\$ 667</u>

South Lyon Area Recreation Authority

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets during the current year compared to the prior year:

	Year Ended June 30	
	2007	2006
Revenue		
Adult program fees and other charges	\$ 85,353	\$ 96,451
Youth program fees and other charges	337,661	420,455
Grants, donations, and other contributions	95,333	64,373
Swim activities revenue	134,133	95,375
Pumpkinfest revenue	38,575	34,024
Teen activities	17,367	14,444
GRASP revenue	4,650	4,055
Discount tickets	-	3,209
Other activities revenue	608	776
Interest	3,643	2,919
Total revenue	717,323	736,081
Expenditures		
Salaries	247,496	261,511
Payroll taxes	19,992	19,541
Employee benefits	39,761	40,221
Insurance	10,494	10,379
Pumpkinfest expenses	31,030	28,051
Recreation supplies	18,317	27,378
Teen activities	16,209	11,796
Discount tickets	-	3,170
GRASP	3,576	3,018
Office expenses	22,726	20,454
Bank charges	10,210	9,381
Postage expense	10,045	8,595
Contract services	201,331	225,133
Professional services	14,770	16,180
Telephone expense	7,825	6,239
Printing and publishing	17,369	12,768
Utilities expense	4,167	4,354
Rent expense	26,453	29,379
Depreciation	5,855	5,368
Total expenditures	707,626	742,916
Change in Fund Balance/Net Assets	\$ 9,697	\$ (6,835)

South Lyon Area Recreation Authority

Management's Discussion and Analysis (Continued)

Total annual revenues decreased by approximately \$19,000 in the current year. Program-related revenue for the year ended June 30, 2007 decreased by over 18 percent, or approximately \$94,000. This decrease was primarily attributed to youth revenue, which was down nearly \$83,000. While the numbers of students registering remained fairly constant, there was a significant decrease in individuals registering for multiple programs.

Non-program related revenues increased approximately \$47,000 in the current year. Swim activities revenue was up approximately 40 percent.

There were increases of approximately \$31,000 in combined municipal and private contributions for the year ended June 30, 2007. Most significant was the nearly \$26,000 increase in private contributions.

Governmental Activities

Corresponding to the decrease in revenues, expenses also decreased during the year primarily due to the decrease in program registrations and the direct correlation between student registration and payment to independent contractors. Payments to independent contractors decreased nearly \$25,000 from the prior year. In addition, in an effort to reduce operating costs, the Authority eliminated one part-time staff position and reduced spending on recreation supplies by \$9,000 as compared to the prior year.

General Fund Budgetary Highlights

Over the course of the year, the Authority amended the budget to take into account significant events during the year, including budget amendments relating to salaries and contracted services. However, total expenditures were less than budgeted expenditures.

Economic Factors and Next Year's Budgets and Rates

The South Lyon Area Recreation Authority's budget for next year calls for minor changes, realizing that the entities are experiencing budget cuts, and the Authority will also work hard to maintain a budget that works for all entities.

Contacting the Authority's Management

This financial report is intended to provide our citizens, customers, and sponsors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Authority's office.

South Lyon Area Recreation Authority

Governmental Fund Balance Sheet/Statement of Net Assets June 30, 2007

	Balance Sheet - Modified Accrual	Adjustments (Note 2)	Statement of Net Assets - Full Accrual
Assets			
Cash (Note 3)	\$ 85,308	\$ -	\$ 85,308
Capital assets (Note 4)	-	10,480	10,480
Total assets	<u>\$ 85,308</u>	10,480	95,788
Liabilities and Fund Balances			
Liabilities			
Accrued and other liabilities	\$ 1,799	-	1,799
Compensated absences (Note 1)	-	11,451	11,451
Deferred revenue (Note 1)	72,174	-	72,174
Total liabilities	73,973	11,451	85,424
Fund Balances - Unreserved and undesignated	11,335	(11,335)	-
Total liabilities and fund balances	<u>\$ 85,308</u>		
Net Assets			
Invested in capital assets		10,480	10,480
Unrestricted assets (deficit)		(116)	(116)
Total net assets		<u>\$ 10,364</u>	<u>\$ 10,364</u>

South Lyon Area Recreation Authority

Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2007

	Revenues and Expenditures - Modified Accrual	Adjustments (Note 2)	Statement of Activities - Full Accrual
Revenue			
Adult program fees and other charges	\$ 85,353	\$ -	\$ 85,353
Youth program fees and other charges	337,661	-	337,661
Grants, donations, and other contributions (Note 6)	95,333	-	95,333
Swim activities revenue	134,133	-	134,133
Pumpkinfest revenue	38,575	-	38,575
Teen activities	17,367	-	17,367
GRASP revenue	4,650	-	4,650
Other activities revenue	608	-	608
Interest	3,643	-	3,643
Total revenue	717,323	-	717,323
Expenditures			
Salaries	247,452	44	247,496
Payroll taxes	19,992	-	19,992
Employee benefits	39,761	-	39,761
Insurance	10,494	-	10,494
Pumpkinfest expenses	31,030	-	31,030
Recreation supplies	18,317	-	18,317
Teen activities	16,209	-	16,209
GRASP	3,576	-	3,576
Office expenses	31,729	(9,003)	22,726
Bank charges	10,210	-	10,210
Postage expense	10,045	-	10,045
Contract services	201,331	-	201,331
Professional services	14,770	-	14,770
Telephone expense	7,825	-	7,825
Printing and publishing	17,369	-	17,369
Utilities expense	4,167	-	4,167
Rent expense	26,453	-	26,453
Depreciation	-	5,855	5,855
Total expenditures	710,730	(3,104)	707,626
Change in Fund Balance/Net Assets	6,593	3,104	9,697
Fund Balance/Net Assets			
Beginning of year	4,742	(4,075)	667
End of year	<u>\$ 11,335</u>	<u>\$ (971)</u>	<u>\$ 10,364</u>

South Lyon Area Recreation Authority

Notes to Financial Statements June 30, 2007

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the South Lyon Area Recreation Authority (the "Authority") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the Authority:

Reporting Entity

The Authority is governed by a three-member board appointed by the participating municipalities. The South Lyon Area Recreation Council was formed effective July 1, 1999 through a cooperative interlocal agreement between Green Oak Township, the Charter Township of Lyon, and the City of South Lyon. The Council effectively became an Authority under Public Act 321 on February 13, 2007. The Authority provides year-round programs and services for youth, teens, adults, families, and seniors who are primarily residents of these communities.

The accompanying financial statements have been prepared in accordance with criteria established by the Government Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on these criteria, there are no component units of the Authority that are to be included in the reporting entity.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Authority's financial statements include both government-wide (reporting the Authority as a whole) and fund financial statements (reporting the Authority's major fund).

Government-wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants, charges for services, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

South Lyon Area Recreation Authority

Notes to Financial Statements June 30, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

Interest earned on investments is recorded on the accrual basis.

The Authority reports the General Fund as its major governmental fund. The General Fund is the primary operating fund and it accounts for all financial resources of the Authority. General Fund activities are financed primarily from program charges and intergovernmental sources.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Authority has elected not to follow private sector standards issued after November 30, 1989 for its full accrual presentation.

Assets, Liabilities, and Net Assets or Equity

Capital Assets - Capital assets, which include furniture and equipment, are reported in the statement of net assets. Capital assets are defined by the Authority as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Office furniture and equipment	3 to 10 years
Athletic equipment	3 to 5 years

South Lyon Area Recreation Authority

Notes to Financial Statements June 30, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences - It is the Authority's policy to permit full-time employees to accumulate earned but unused sick, vacation, and personal day benefits. All compensated absence pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. The compensated absence balance was \$11,451 and \$11,407 as of June 30, 2007 and 2006, respectively. The entire amount accrued as of June 30, 2007 is current and will be paid within the next fiscal year.

Deferred Revenue - Governmental funds report deferred revenue in connection with revenue that is not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the deferred revenue was all unearned.

Related Parties - The Authority rents its office space from the City of South Lyon for a total of \$690 per month.

Other accounting policies are disclosed in other notes to the financial statements.

Note 2 - Reconciliation of Government-wide and Fund Financial Statements

Total fund balances and the net change in fund balances of the Authority's governmental funds differ from net assets and change in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the economic focus of the statement of the governmental fund balance sheet and statement of revenue, expenditures, and changes in fund balance. The reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets are as follows:

Total Fund Balance - Modified Accrual Basis	\$ 11,335
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources and are not reported in the funds	10,480
Compensated absences are not due and payable in the current period and are not reported in the funds	<u>(11,451)</u>
Total Net Assets - Full Accrual Basis	<u>\$ 10,364</u>

South Lyon Area Recreation Authority

Notes to Financial Statements June 30, 2007

Note 2 - Reconciliation of Government-wide and Fund Financial Statements (Continued)

Net Change in Fund Balances - Modified Accrual Basis	\$ 6,593
Amounts reported in the statement of activities are different because:	
Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over the estimated useful lives as depreciation:	
Capital outlay	9,003
Depreciation	(5,855)
Changes in accumulated employee sick and vacation pay are recorded when earned in the statement of activities	(44)
Change in Net Assets of Governmental Activities - Full Accrual Basis	\$ <u>9,697</u>

Note 3 - Cash

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Authority has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The deposits and investment policies are in accordance with statutory authority.

The Authority had no investments during the year ended June 30, 2007.

South Lyon Area Recreation Authority

Notes to Financial Statements June 30, 2007

Note 3 - Cash (Continued)

The Authority's cash deposits are subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At year end, the Authority had \$36,909 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 4 - Capital Assets

Capital asset activity of the Authority's governmental activities at June 30, 2007 was as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Capital assets being depreciated:				
Office furniture and equipment	\$ 41,538	\$ 8,313	\$ 7,402	\$ 42,449
Athletic equipment	5,630	690	1,535	4,785
Subtotal	47,168	9,003	8,937	47,234
Accumulated depreciation:				
Office furniture and equipment	34,699	5,367	7,402	32,664
Athletic equipment	5,137	488	1,535	4,090
Subtotal	39,836	5,855	8,937	36,754
Net capital assets	\$ 7,332	\$ 3,148	\$ -	\$ 10,480

Note 5 - Budget Information

The annual budget is prepared by the recreation director and adopted by the South Lyon Area Recreation Authority; subsequent amendments are approved by the Authority. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2007 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

South Lyon Area Recreation Authority

Notes to Financial Statements June 30, 2007

Note 5 - Budget Information (Continued)

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. The budget has been adopted on a total revenue and expenditure basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. The additional detail in the budgetary comparison schedule is shown in greater detail than the budget that was adopted and is used to provide additional analysis for management use only.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the South Lyon Area Recreation Authority incurred expenditures that were significantly in excess of the amounts budgeted for teen activities and office expenses. Overall, total expenditures were less than budgeted expenditures.

Note 6 - Grants and Donations

During the current year, the Authority received the following cash contributions into the General Fund:

City of South Lyon	\$ 23,952
City of South Lyon Swim	4,080
Green Oak Township	10,825
Green Oak Township Swim	1,950
Lyon Township	14,723
Lyon Township Swim	1,980
Private donations	<u>37,823</u>
Total	<u>\$ 95,333</u>

Note 7 - Defined Contribution Pension Plan

The Authority provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by resolution of the Authority, the Authority contributes 10 percent of full-time employees' gross earnings. In accordance with these requirements, the Authority contributed \$14,235 during the year ended June 30, 2007. The Authority's contributions for each employee are fully vested after three years.

South Lyon Area Recreation Authority

Notes to Financial Statements June 30, 2007

Note 8 - Risk Management

The South Lyon Area Recreation Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority has purchased commercial insurance for workers' compensation and employee medical claims and participates in the state pool program of the Michigan Municipal Risk Management Authority (the "Authority") for claims relating to general liability. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past year.

The Michigan Municipal Risk Management Authority's state pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

Required Supplemental Information

South Lyon Area Recreation Authority

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Adult program fees and other charges	\$ 104,000	\$ 98,500	\$ 85,353	\$ (13,147)
Youth program fees and other charges	408,000	398,250	337,661	(60,589)
Grants, donations, and other contributions	71,510	91,635	95,333	3,698
Swim activities revenue	105,000	127,500	134,133	6,633
Pumpkinfest revenue	34,000	37,650	38,575	925
Teen activities	8,500	16,700	17,367	667
GRASP revenue	4,000	4,000	4,650	650
Other activities revenue	500	775	608	(167)
Interest	1,000	3,000	3,643	643
Total revenue	736,510	778,010	717,323	(60,687)
Expenditures				
Salaries	257,472	268,907	247,452	21,455
Payroll taxes	20,000	21,000	19,992	1,008
Employee benefits	42,980	40,455	39,761	694
Insurance	12,000	10,550	10,494	56
Pumpkinfest expenses	27,000	32,400	31,030	1,370
Recreation supplies	28,000	28,000	18,317	9,683
Teen activities	4,500	8,650	16,209	(7,559)
GRASP	3,000	3,000	3,576	(576)
Office expenses	26,900	27,225	31,729	(4,504)
Bank charges	9,500	10,450	10,210	240
Postage expense	10,250	10,100	10,045	55
Contract services	225,125	230,900	201,331	29,569
Professional services	14,770	15,170	14,770	400
Telephone expense	6,000	7,875	7,825	50
Printing and publishing	13,500	18,500	17,369	1,131
Utilities expense	4,500	4,500	4,167	333
Rent expense	30,280	30,280	26,453	3,827
Total expenditures	735,777	767,962	710,730	57,232
Net Change in Fund Balance	733	10,048	6,593	<u>\$ (3,455)</u>
Fund Balance - Beginning of year	4,742	4,742	4,742	
Fund Balance - End of year	<u>\$ 5,475</u>	<u>\$ 14,790</u>	<u>\$ 11,335</u>	